

A Summary of New Zealand Aid Flows to the Pacific

Prepared for the Foreign Affairs, Defence and Trade Committee Inquiry into
New Zealand's Aid to the Pacific

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This document draws on publicly available data to provide basic facts about New Zealand aid spending. It starts by looking at overall aid flows before focusing on the Pacific. It details where we spend our aid and what we spend it on.

Throughout this document the terms: aid, foreign aid, government aid and official development assistance (ODA) are treated as synonyms.

Data notes:

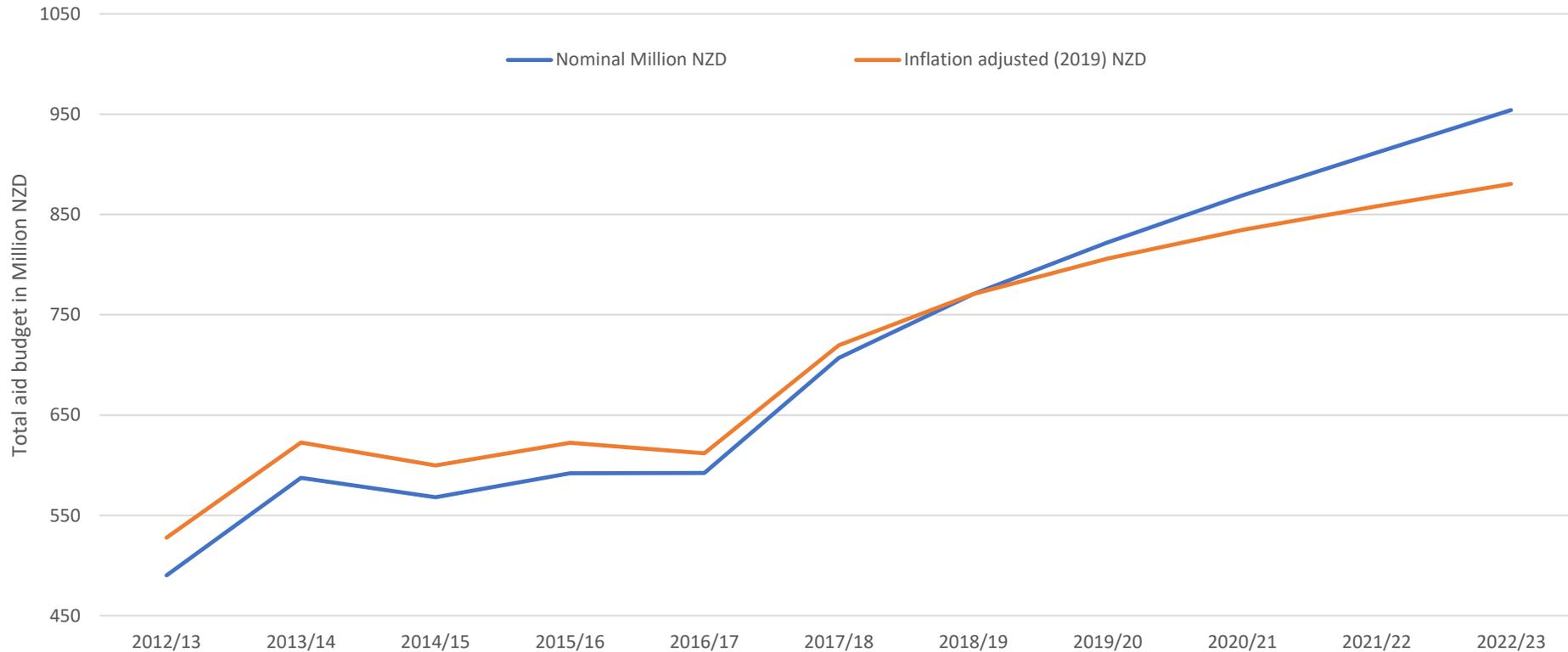
Data used in this presentation come from the following sources:

1. NZ Treasury papers released as part of New Zealand government budgets. These only contain high-level information on aid spending; they do not contain detailed information on where aid goes, or what it is spent on.
2. The Lowy Institute Pacific Aid Map - <https://pacificaidmap.lowyinstitute.org>
These data have the strength of including non-traditional donors such as China. However, they are not always comprehensive. Reliable data only span 2012-2016. For this reason, these years are drawn on when Lowy data are used. Usually, Lowy data are averaged across the 2012-16 period as aid flows for some donors bounce about significantly.
3. OECD “.stat” and “CRS” databases - <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/idsonline.htm>
OECD data are more recent and more comprehensive for OECD donors, but do not cover countries such as China.

Topics covered:

1. Trends in New Zealand aid.
2. New Zealand's standing as an aid donor globally.
3. New Zealand's importance to the Pacific.
4. New Zealand's spending in different Pacific countries.
5. How does New Zealand give its aid to the Pacific? (Loans and grants)
6. How does New Zealand give its aid to the Pacific? (NGOs/Government/Private sector).
7. New Zealand's tied aid to the Pacific.
8. What does New Zealand spend its aid to the Pacific on?
9. Aid for trade in the Pacific.
10. Concern for gender issues in aid to the Pacific.
11. New Zealand's focus on scholarships.

Trends in New Zealand Aid



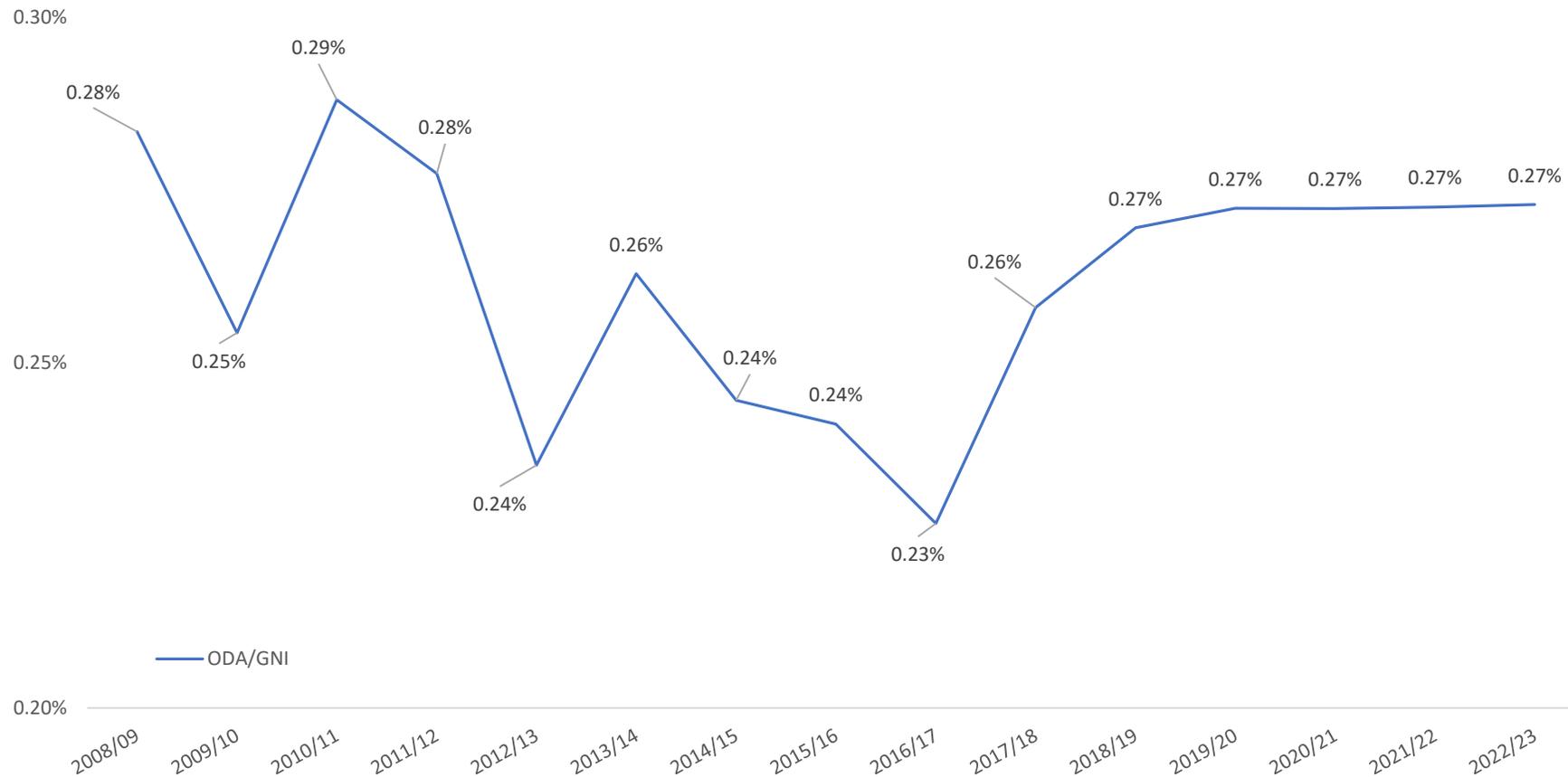
New Zealand government aid has been increasing since 2016/17. The rapid increase between 16/17 & 17/18 was a result of the aid programme spending rapidly in the final year of its triennial budget to offset previous underspends.

More recent actual and budgeted increases reflect a planned trajectory of increase under the current government.

Not all of the budgeted increases will go to the Pacific. According to Treasury, the government's target is that approximately 60% of aid will be focused on the Pacific.

All data from Treasury.

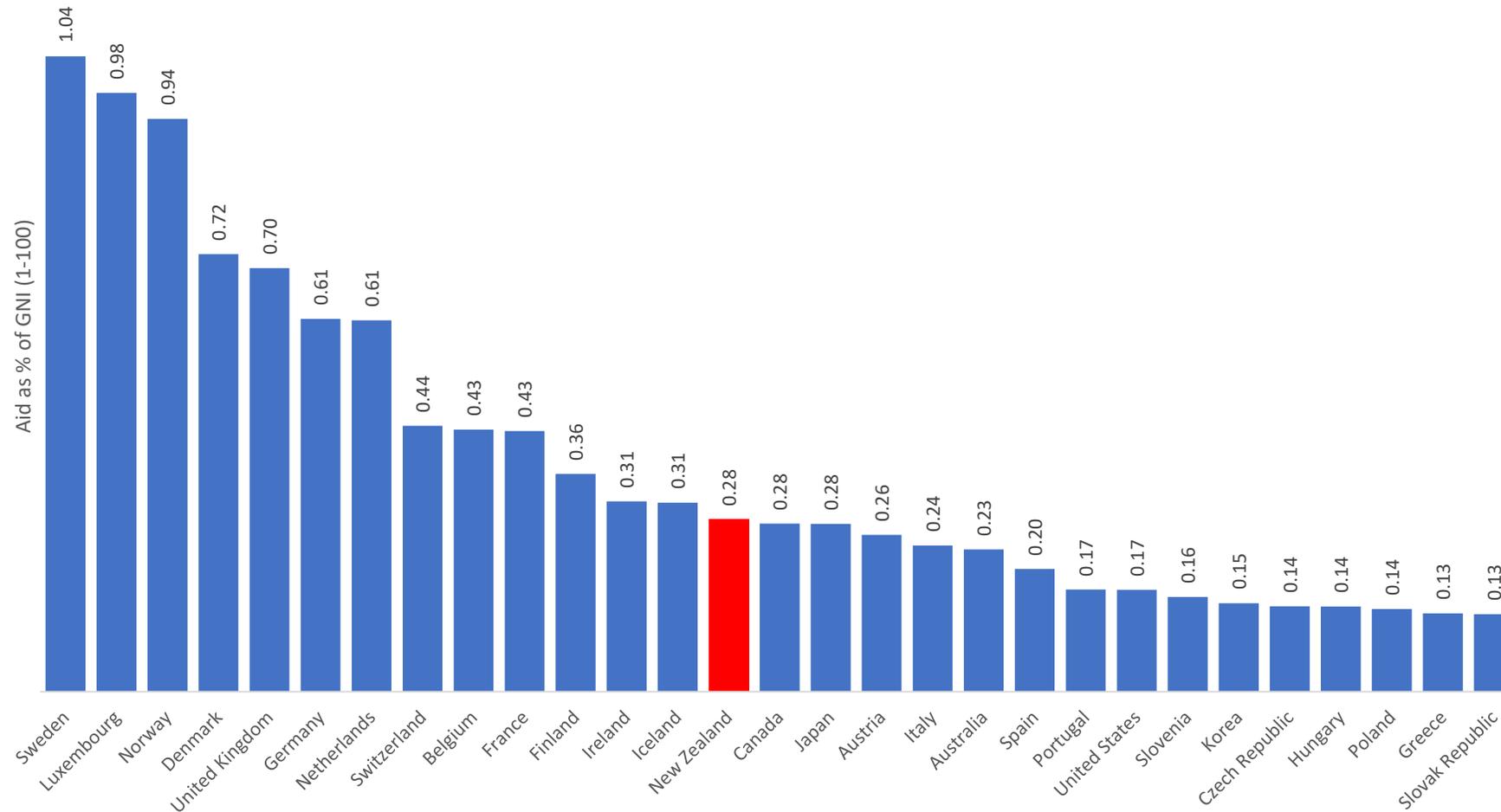
Trends in New Zealand Aid



Although aid is set to increase, because New Zealand's economy is also forecast to grow, aid as a share of Gross National Income (GNI) will only grow slowly. (Aid/GNI is the standard international measure of donor generosity.)

All data on this slide from Treasury. Note my numbers differ slightly from those provided by the aid programme, which have aid/GNI as 0.28%. I am unsure why this difference exists, but it is very minor.

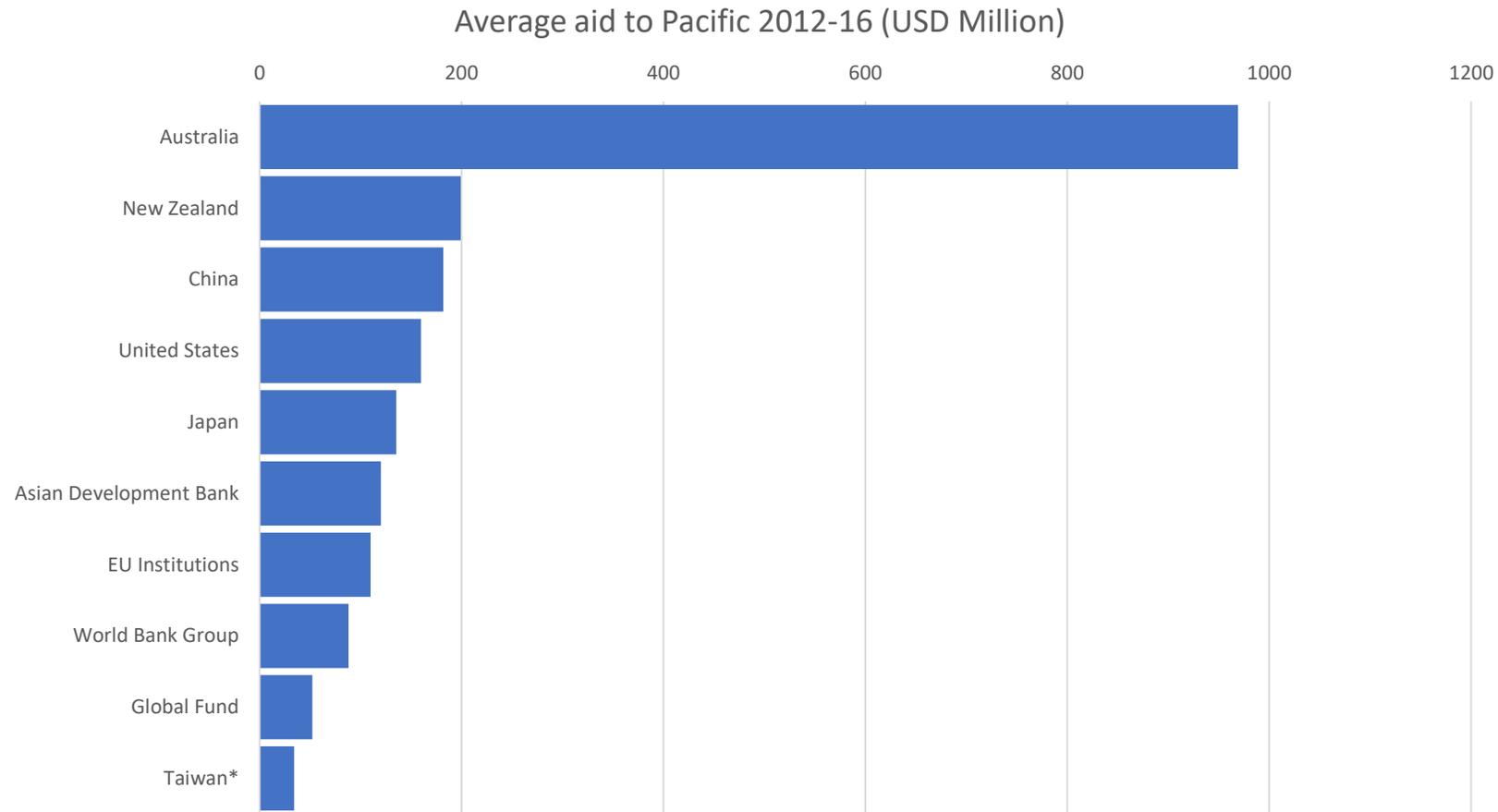
New Zealand's Standing as an Aid Donor Globally (2018)



In 2018 New Zealand was the median OECD donor in terms of aid/GNI. (Data on this slide come from the OECD and are by calendar year, hence the slightly different numbers from the previous slide.)

Most (but not all) donors that have lower aid/GNI ratios than NZ are either poorer and/or more indebted. (See: <https://www.devpolicy.org/is-there-any-excuse-for-australia-and-new-zealand-giving-so-little-20170613/>)

New Zealand's Importance to the Pacific (2012-16)

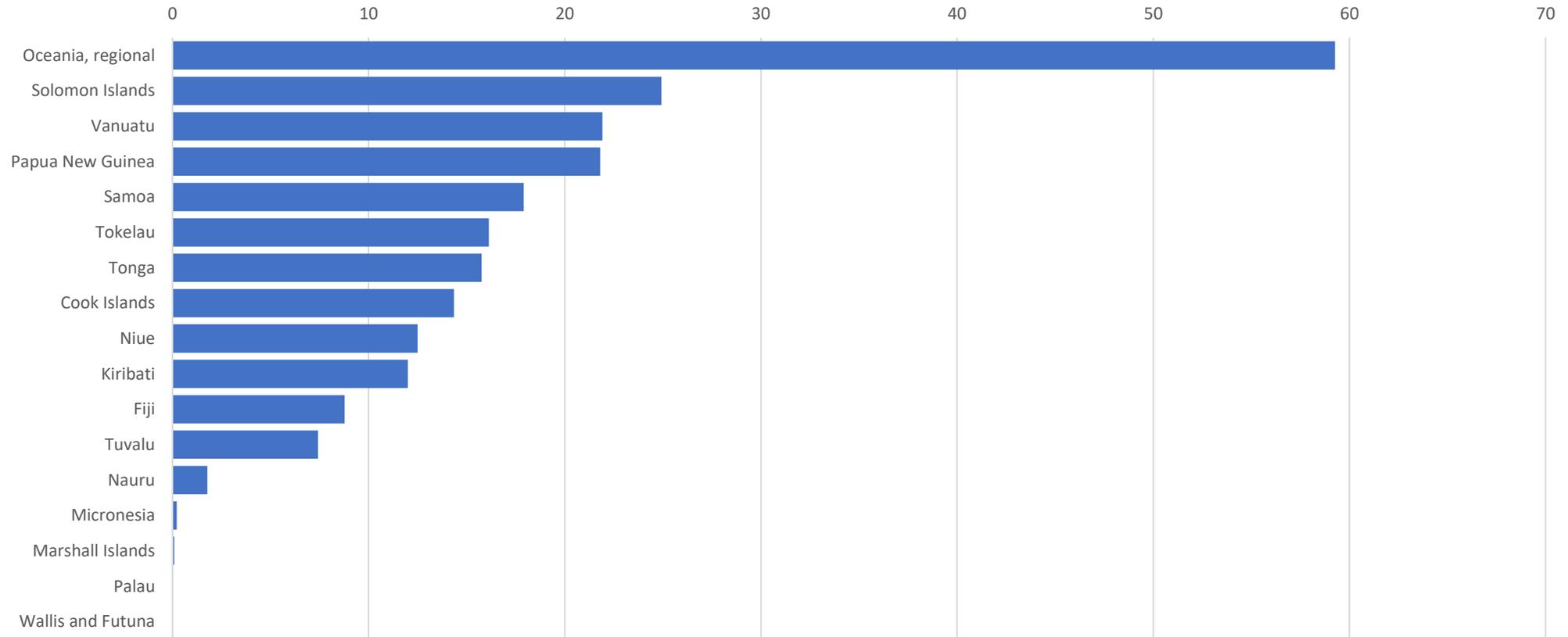


This chart uses Lowy data and shows average aid spent in the Pacific (2012-16). The chart includes donor countries as well as multilateral donors and shows only the ten largest donors to the Pacific. (58 donors gave money to the region over this period.)

Contrary to mistaken newspaper reporting about China's size as a donor, Australia clearly dominates as a donor regionally. New Zealand is the second largest donor, close in size to China. China grew rapidly as a donor in the first decade of this millennium. However, growth trends in Chinese aid were not obvious in the years 2012-16. (Note that OECD data provide a slightly higher value for New Zealand's average aid spend in the Pacific over the period (\$235 USD). The difference likely stems from different exchange rates.)

New Zealand's Focus as a Donor

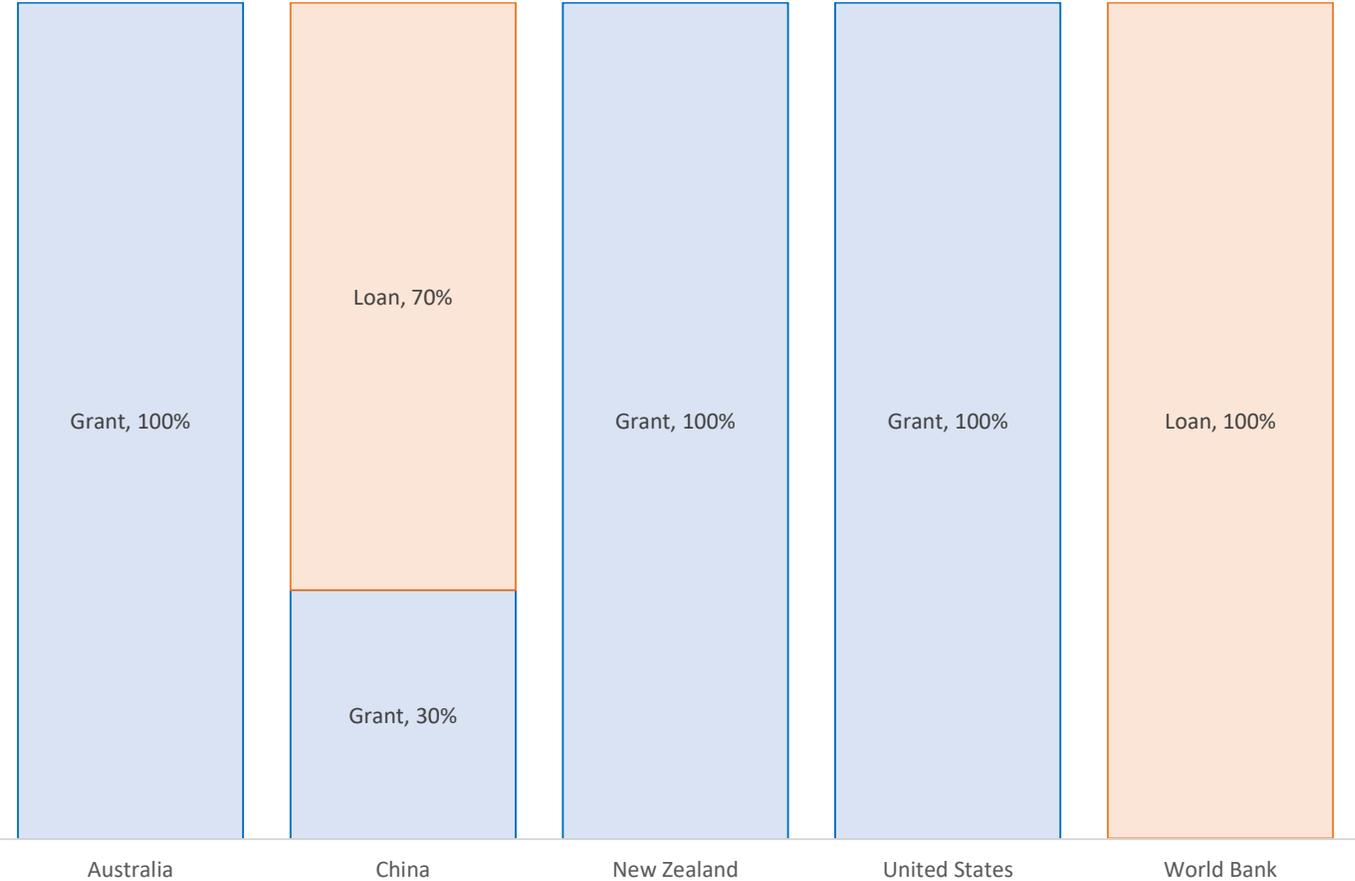
How much NZ Spends on Individual Pacific Countries (average 2012-16)



These data come from the OECD. They are in million USD. OECD data vary to some degree from Lowy data (although the difference is usually not overly large). The category 'Oceania Regional' represents aid given to regional institutions and initiatives.

New Zealand tends to spend the most in countries where it has current or historical ties (Cooks, Samoa) and in the larger poorer countries of the Western Pacific (PNG, Vanuatu, Solomon Islands).

How does New Zealand Give Aid to the Pacific (Loans and Grants)?



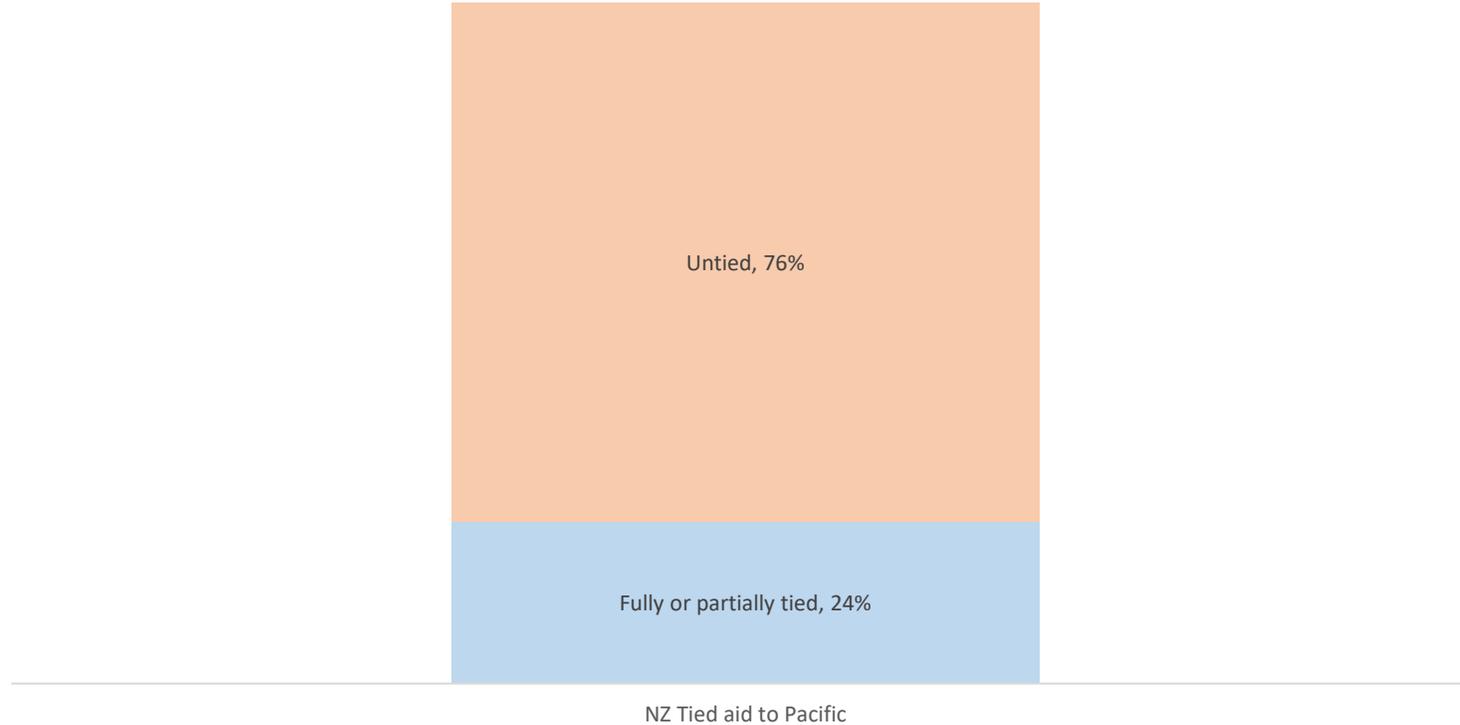
This chart is based on Lowy data for 2012 to 2016. New Zealand gives all of its aid to the Pacific as grants (as opposed to loans). This is similar to the approach taken by the USA and Australia in the Pacific, although Australia is going to start providing loans. New Zealand’s approach differs from that of the World Bank and China, which are more loan oriented.

How does New Zealand Give Aid to the Pacific (NGOs, Govt, Private)?

Simplified delivery channel	Percentage through this channel in Pacific
Other	21%
Developing country-based NGO	1%
Donor country-based NGO	8%
International NGO	1%
Government (New Zealand)	3%
Government (donor or recipient)	37%
Government (recipient)	2%
Government (other donor country)	1%
Multilateral agency	6%
Regional agency	8%
Private sector (donor country)	8%
Private sector (other country)	2%
Private sector (recipient country)	1%

This table is based on OECD CRS data for 2017. It shows the channels through which New Zealand aid is given to the Pacific. The data it is based on are imperfect. MFAT staff do not always assign projects consistently to channels when reporting to the OECD. In some instances, a judgement call is required when allocating projects to channels. I have simplified the channels in this table from the numerous channels in the original OECD data.

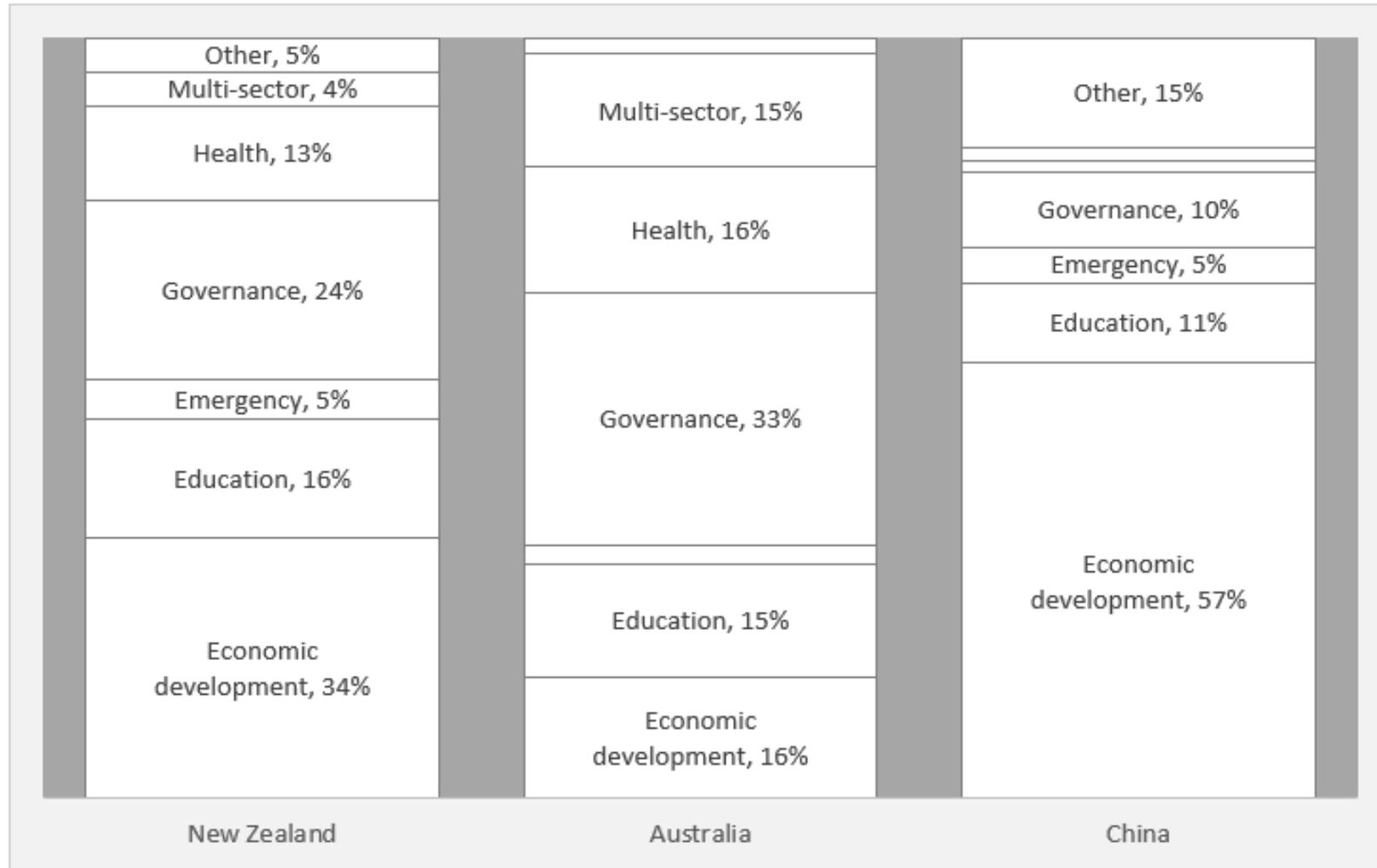
New Zealand's Tied Aid to the Pacific



This chart is based on OECD CRS data for 2017. Tied aid is aid that is given with the proviso that it will be spent on goods or services from the donor's country. It is generally less efficient and effective than aid that is allowed to be spent on items that represent the best value for money regardless of where they come from. Globally, according to New Zealand's reporting to the OECD, about 7% of New Zealand's aid is tied. This is higher than the median OECD donor, which gives about 3% of its total aid as tied aid. Some donors are, however, not particularly honest in their reporting on tied aid. Australia, for example, claims that none of its aid is tied. Bearing this in mind, the fact that New Zealand is above the median for its global giving, possibly simply reflects more honest reporting on our behalf.

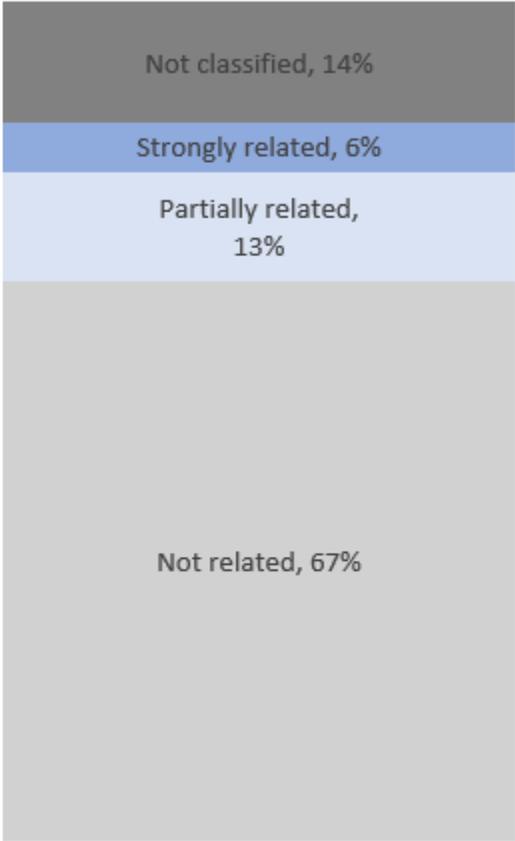
However, the figures in this chart suggest New Zealand has a particularly high share of tied aid to the Pacific. This is concerning. The figure falls to 16% if I exclude costs associated with "donor country personnel" and focus only on scholarships and aid projects. Nevertheless, this number is still high. The number may stem from errors in reported data. It would be worth checking with MFAT to see if they agree with my calculations.

What New Zealand Spends its Aid on



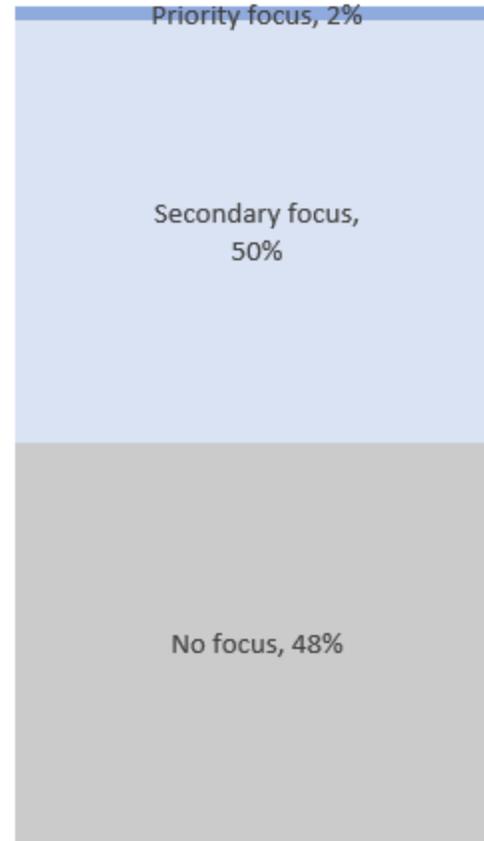
This chart is based on Lowy data for 2012 to 2016. New Zealand is shown alongside China and Australia as comparators. The sectors used are a simplified version of those used by the OECD. For the sake of clarity, small sectors (<2% for any donor) are not named.

Trade Development in the Pacific



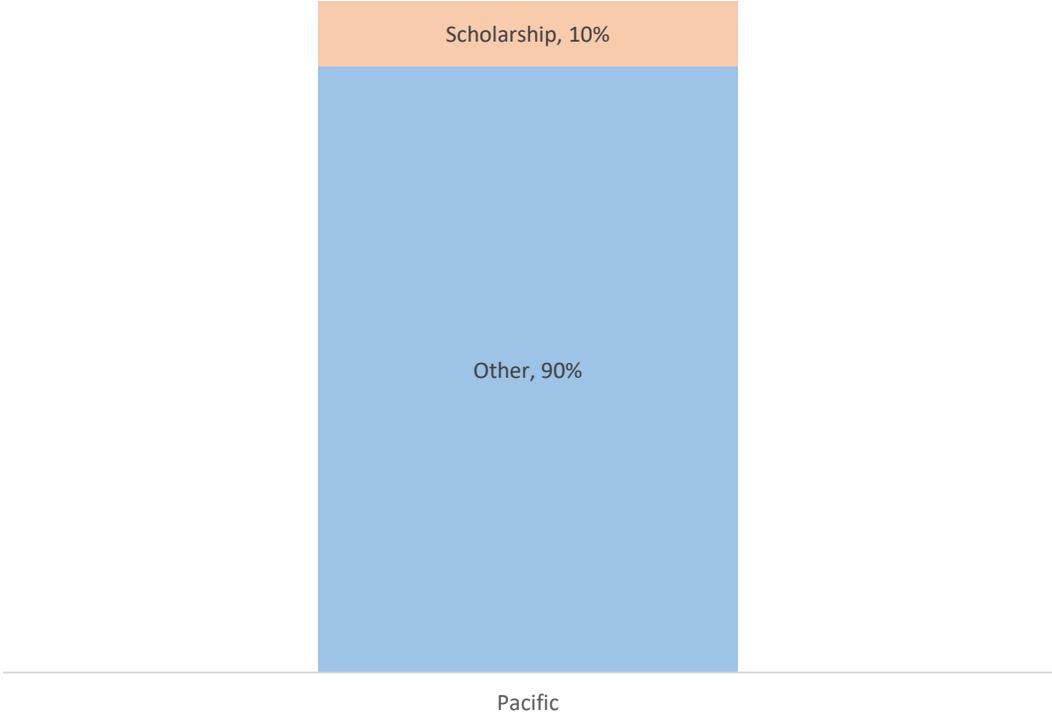
This chart is based on OECD CRS data for 2017. When donors report to the OCED they code each of their aid projects as strongly related to trade development, partially related, or not related. Because this is based on self-classification the resultant data are not necessarily wholly accurate. I have never tried to analyse aid data on trade development in this form before either. However, the chart above is my best attempt at showing the share of NZ aid spending to the Pacific given in 2017 with a view to enhancing the capacity of Pacific countries to trade.

Gender in the Pacific



This chart is based on OECD CRS data for 2017. When donors report to the OCED they code each of their projects as having gender as a primary focus, having gender as a secondary focus, or not having gender as a focus. This chart shows New Zealand's aid spending in the Pacific broken down by gender focus. Because it is based on MFAT's self-assessment of its projects, it is not necessarily an accurate system. Self-assessment is particularly an issue for the secondary focus group. My guess is that the secondary focus figure is over-stated owing to self-assessment.

Scholarships



Scholarships for tertiary students from developing countries to study in donor countries are thought to have mixed value. While they can be helpful, they are a form of tied aid and may well have fewer development benefits than aid for primary and secondary education. The OECD discourages donors from devoting too much aid in the form of scholarships. Globally, in 2017, the median OECD donor gave 2% of their aid as scholarships. Australia gave 5%. New Zealand gave 11% globally – one of the highest countries in the OECD. This chart uses OECD data from 2017 and focuses on New Zealand aid to the Pacific. New Zealand’s unusually high focus on scholarships is as present in the Pacific as it is in the rest of the world.